

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,)
to open a contested case proceeding for determining)
the process and requirements for a forward locational)
requirement under MCL 460.6w for the following)
named parties:)

Case No. U-18444

ALPENA POWER COMPANY, CONSUMERS)
ENERGY COMPANY, DTE ELECTRIC COMPANY,)
INDIANA MICHIGAN POWER COMPANY,)
NORTHERN STATES POWER COMPANY-)
WISCONSIN, UPPER PENINSULA POWER)
COMPANY, UPPER MICHIGAN ENERGY)
RESOURCES CORPORATION, WISCONSIN)
ELECTRIC POWER COMPANY, ALGER-DELTA)
COOPERATIVE ELECTRIC ASSOCIATION,)
BAYFIELD ELECTRIC COOPERATIVE, INC.,)
CHERRYLAND ELECTRIC COOPERATIVE,)
CLOVERLAND ELECTRIC COOPERATIVE,)
GREAT LAKES ENERGY COOPERATIVE,)
MIDWEST ENERGY COOPERATIVE,)
ONTONAGON, COUNTY RURAL)
ELECTRIFICATION ASSOCIATION, PRESQUE)
ISLE ELECTRIC AND GAS CO-OP,)
THUMB ELECTRIC COOPERATIVE,)
TRI-COUNTY ELECTRIC COOPERATIVE,)
WOLVERINE POWER SUPPLY COOPERATIVE,)
INC., VILLAGE OF BARAGA, CITY OF BAY CITY,)
CITY OF CHARLEVOIX, CHELSEA DEPARTMENT)
OF ELECTRIC AND WATER, VILLAGE OF)
CLINTON, COLDWATER BOARD OF PUBLIC)
UTILITIES, CROSWELL MUNICIPAL LIGHT &)
POWER DEPARTMENT, CITY OF CRYSTAL)
FALLS, DAGGETT ELECTRIC DEPARTMENT,)
CITY OF DOWAGIAC, CITY OF EATON RAPIDS,)
CITY OF ESCANABA, CITY OF GLADSTONE,)
GRAND HAVEN BOARD OF LIGHT AND)
POWER, CITY OF HARBOR SPRINGS, CITY OF)
HART HYDRO, HILLSDALE BOARD OF PUBLIC)
UTILITIES, HOLLAND BOARD OF PUBLIC)
WORKS, VILLAGE OF L'ANSE, LANSING BOARD)

OF WATER AND LIGHT, LOWELL LIGHT AND)
POWER, MARQUETTE BOARD OF LIGHT AND)
POWER, MARSHALL ELECTRIC DEPARTMENT,)
NEGAUNEE DEPARTMENT OF PUBLIC WORKS,)
NEWBERRY WATER AND LIGHT BOARD, NILES)
UTILITIES DEPARTMENT, CITY OF NORWAY,)
CITY OF PAW PAW, CITY OF PETOSKEY, CITY)
OF PORTLAND, CITY OF SEBEWAING, CITY OF)
SOUTH HAVEN, CITY OF ST. LOUIS, CITY OF)
STEPHENSON, CITY OF STURGIS, TRAVERSE)
CITY LIGHT AND POWER, UNION CITY)
ELECTRIC DEPARTMENT, CITY OF WAKEFIELD,)
WYANDOTTE DEPARTMENT OF MUNICIPAL)
SERVICE, ZEELAND BOARD OF PUBLIC WORKS,)
AEP ENERGY, INC., CMS ENERGY RESOURCE)
MANAGEMENT COMPANY, CONSTELLATION)
ENERGY SERVICES, INC., DILLON POWER, LLC,)
DIRECT ENERGY BUSINESS, LLC, DIRECT)
ENERGY SERVICES, LLC, DUKE ENERGY)
RETAIL SALES, LLC, EDF ENERGY SERVICES,)
LLC, ELIGO ENERGY MI, LLC, ENERGY)
INTERNATIONAL POWER MARKETING)
CORPORATION, d/b/a POWERONE, EXELON)
ENERGY COMPANY, FIRSTENERGY SOLUTIONS)
CORP., IGS ENERGY, JUST ENERGY SOLUTIONS)
INC., LIBERTY POWER DELAWARE LLC,)
LIBERTY POWER HOLDINGS LLC, MICHIGAN)
GAS & ELECTRIC, MIDAMERICAN ENERGY)
SERVICES, LLC, NOBLE AMERICAS ENERGY)
SOLUTIONS LLC, NORDIC ENERGY SERVICES,)
LLC, PLYMOUTH ROCK ENERGY LLC,)
POWERONE CORPORATION, PREMIER ENERGY)
MARKETING L.L.C., QUEST ENERGY, L.L.C.,)
SPARTAN RENEWABLE ENERGY, INC., TEXAS)
RETAIL ENERGY, LLC, UP POWER MARKETING)
LLC, and WOLVERINE POWER MARKETING)
COOPERATIVE.)

At the November 21, 2017 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

AMENDATORY ORDER

On October 11, 2017, the Commission issued an order (October 11 order) in this docket opening a contested case proceeding for determining the process and requirements for a forward locational requirement for generation resources used to meet electric capacity obligations under Section 6w of 2016 PA 341 (Act 341). The purpose of this amendatory order is to reissue the order opening the docket and naming the parties in this contested case.¹ This order also amends the date for intervention and the date of the prehearing in this proceeding. Named parties, such as municipally-owned electric utilities and cooperative electric utilities, who choose to do so, may have an association represent them and are not required to individually retain separate counsel in this matter.

This order opens a contested case proceeding for determining the process and requirements for a forward locational requirement for generation resources used to meet electric capacity obligations under Section 6w of Act 341. In 2016, Michigan enacted a new statutory framework for resource adequacy in Section 6w of Act 341 to ensure that all energy providers – including alternative electric suppliers, municipal utilities, electric cooperatives, and regulated electric utilities – contribute to the state’s long-term electric capacity needs. To comply with Section 6w

¹ This amendatory order complies with the Administrative Procedures Act of 1969, MCL 24.201 *et seq.*, including a provision that defines a “contested case” in MCL 24.203(3), as well as *Mich Elec & Gas Ass’n v MPSC*, 252 Mich App 254, 266; 652 NW2d 1 (2002).

of Act 341, the Commission determined the capacity obligations for individual electric providers over a four-year period and created a process to evaluate whether such obligations are met, as set forth in its September 15, 2017 order in Case No. U-18197 (September 15 order). In the same case, the Commission further concluded that Section 6w requires a locational requirement for generation resources and that “a locational requirement applicable to individual [load serving entities (LSEs)] is allowed as part of the capacity obligations set forth by the Commission pursuant to Section 6w in order to ensure all providers contribute to long-term resource adequacy in the state.” *See*, June 15, 2017 order in Case No. U-18197, pp. 10-11, and September 15 order, pp. 35-38. In setting these obligations in Case No. U-18197, the Commission chose to postpone, for a later contested case proceeding, determination of a methodology for the amount and allocation of a forward locational requirement. The Commission believes this will allow for the development of a full record through a contested case process and for more information and analysis regarding the various approaches proposed for this requirement. *See*, September 15 order, p. 40.

In order to establish a methodology to project how much capacity will be needed to meet the Midcontinent Independent System Operator, Inc. (MISO) local clearing requirement (LCR) over the long term as required by law, and to ensure that all electric providers are contributing to meeting that requirement through the use of a forward locational requirement for the 2022/2023 planning year and subsequent planning years, the Commission opens the docket in this contested case proceeding and notifies all parties and potential intervenors that a prehearing conference will take place at 9:00 a.m. on December 12, 2017,² before Administrative Law Judge Dennis W. Mack (ALJ), at the Commission’s Lansing offices, 7109 W. Saginaw Highway, Lansing, Michigan,

² This amended prehearing date cancels the November 29, 2017 prehearing that was originally scheduled in this docket.

48917. Interested persons shall submit timely petitions to intervene no later than 5:00 p.m. on December 5, 2017.

The Commission is interested in further exploring the incremental approach described by the Commission Staff (Staff) in its August 1, 2017 report filed in Case No. U-18197, but is also open to considering other proposals that would result in meeting long-term reliability goals in an equitable, cost-effective manner under Michigan's hybrid market structure. The October 11 order directed the Staff to submit a proposal with supporting testimony by 5:00 p.m. on November 15, 2017, in this docket that addresses the following questions:

- What is the MISO LCR for each zone?
 - How should the LCR, for purposes of Section 6w, be projected four years into the future as set forth in the law?
- How should the incremental capacity need be determined initially and also going forward?
 - What is an appropriate time period for assessment? 4 years? 5 years? 10 years?
 - What should the starting date be for the time period under consideration?
 - What should the ending date be?
 - How should plant retirements be factored into the analysis to determine incremental need?
 - How should new resources, including generation and demand response, be factored into the analysis to determine incremental need?
 - How to account for recent or planned capacity additions?
 - How to account for plants whose useful life may be extended, such as investing in older peaking units to allow for continued operation for capacity purposes?
 - What load projection should be used for the analysis and should the projection be set at base year or have a growth assumption?
 - Should the incremental capacity need only be established four years into the future, or should it be projected for additional planning years as well?
- Once the incremental need is determined, how should the incremental need be allocated to the load serving entities within the zone?

- Should allocations be based on load ratio share or some other approach?
- How should changes in load levels for each LSE over time be accounted for?
- How does the recommended incremental capacity need with allocation translate to the individual load serving entity locational requirements in zonal resource credits per planning year?
- How should the incremental need be re-evaluated or re-assessed going forward? How often?
- Based on the Staff's proposed methodology, what is the recommended incremental capacity need for the 2022/2023 planning year and how would that be allocated among load serving entities?
- What resources should count towards meeting Michigan's forward locational requirement?
 - Can both new and existing resources be used?
 - How should Michigan's forward locational requirement relate to resources MISO allows to count – e.g., if MISO allows external resources with transmission service to qualify towards meeting LCR?
 - If MISO changes its eligibility criteria over time, how should that be handled?
 - What evidence or guarantees must an LSE provide to show it will meet Michigan's forward locational requirement?

Additionally, the Commission noted in the September 15 order, relative to setting the forward planning reserve margin requirement (PRMR), that it will “evaluate, as part of a contested case process, the percentage of non-auction purchases applicable for planning years 2022 and beyond in order to make refinements if needed based on the impact of energy waste reduction initiatives or other considerations.” *See*, September 15 order, p. 32. The October 11 order directed the Staff to also address this issue in its proposal submitted in this docket.

Pursuant to the October 11 order, the Staff filed its testimony and exhibits on November 15, 2017. The Commission stresses that parties should not be constrained by the methodology presented by the Staff. The Commission seeks parties to submit proposals that they believe will best meet the requirements in the law.

The Commission also requests technical assistance from the independent system operator, MISO, in determining the PRMR and LCR capacity obligations pursuant to Section 6w(8)(c) of Act 341.

In order to issue a final Commission order in this contested case proceeding in time to provide LSEs with sufficient notice of the forward locational requirement methodology and process well in advance of their respective capacity demonstration deadlines mandated in Section 6w of Act 341, the Commission has chosen to forego the issuance of a Proposal for Decision and to read the record in this proceeding.

At the prehearing conference, the ALJ shall set the dates for the filing of intervenor testimony, rebuttal filings by all parties with an opportunity for cross-examination, and initial and reply briefs to allow for a final Commission order to be issued by July 1, 2018.

Further, the Commission's Executive Secretary (Executive Secretary) shall electronically serve a copy of this order on MISO, and on any other party in any the following cases Case Nos. U-18197, U-18239, U-18248, U-18253, U-18254, U-18258, and U-18441 who is not already a named party. In addition, the Executive Secretary shall electronically serve a copy of the Staff's proposal and supporting testimony filed on November 15, 2017 on the named parties in this docket.

THEREFORE, IT IS ORDERED that:

A. The Commission's Executive Secretary shall electronically serve, on the named parties in this docket, a copy of the Commission Staff's proposal and supporting testimony filed on November 15, 2017.

B. Interested persons shall submit timely petitions to intervene no later than 5:00 p.m. on December 5, 2017.

C. The Commission requests technical assistance from the independent system operator, Midcontinent Independent System Operator, Inc., pursuant to Section 6w(8)(c) of 2016 PA 341 in determining the local clearing requirement.

D. The Administrative Law Judge shall conduct a prehearing conference at 9:00 a.m. on December 12, 2017, at the Commission's Lansing offices, 7109 W. Saginaw Highway, Lansing, Michigan, 48917. At the prehearing conference, the Administrative Law Judge shall rule on all intervention petitions. The Administrative Law Judge shall also establish the schedule for the contested case, including the filing dates for intervenor testimony, rebuttal filings by all parties with an opportunity for cross-examination, and initial and reply briefs, and shall conduct the proceedings in an expedited manner so as to close the record in time to transmit the matter to the Commission no later than May 1, 2018, to allow for a final Commission order to be issued by July 1, 2018. In doing so, the Administrative Law Judge need not prepare a Proposal for Decision because the Commission intends to read the record.

E. The Commission's Executive Secretary shall electronically serve a copy of this order on Midcontinent Independent System Operator, Inc., and any other party in Case Nos. U-18197, U-18239, U-18248, U-18253, U-18254, U-18258, and U-18441 who is not already a named party.

The Commission reserves jurisdiction and may issue further orders as necessary.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of November 21, 2017.

Kavita Kale, Executive Secretary